

*Internal Audit Report*

HOWARD COUNTY  
DEPARTMENT OF TECHNOLOGY  
AND COMMUNICATION SERVICES  
COMPUTER INVENTORY REVIEW  
MARCH 2007

*Office of the County Auditor*





## OFFICE OF THE COUNTY AUDITOR

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Acting County Auditor

March, 2007

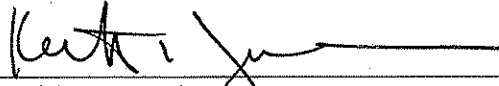
The County Council and County Executive  
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985,  
we have conducted a review of selected activities of the

### DEPARTMENT OF TECHNOLOGY AND COMMUNICATION SERVICES COMPUTER INVENTORY REVIEW

and our report is submitted herewith. The scope of our examination related specifically to a review of county policy, procedures and controls over personal computer inventory. The body of our report presents our findings and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer, and the Director of the Department of Technology and Communication Services (DTCS). We wish to express our gratitude to the staff of DTCS and those departments we visited in our sample for the cooperation and assistance extended to us during the course of this engagement.

  
Keith N. Zumbrun.  
Acting County Auditor

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## INTRODUCTION AND SCOPE

As part of the County Auditor's activities, we reviewed Personal Computer (PC) inventory policy and procedures in the County. As part of this review we tested the accuracy of the most up-to-date computer inventory database maintained by the County by drawing a statistically valid sample and verifying the selected items. We looked at items purchased since March of 2005.

## BACKGROUND

The following County policies and procedures are the basis for accountability for PC fixed assets. They served as the basis of our review as well.

- Howard County Policy and Procedure number 300.5, Titled: Fixed Assets Inventory Control System (FAICS), release 7/01/02, establishes procedures for the control of the County's fixed assets. The policy states this as the responsibility of the Purchasing Agent. County items purchased that are tangible in nature, not expendable and can be depreciated and cost \$5,000 or more are generally accounted for as fixed assets via this Policy. However, because of the portability of computers, they are accounted for as fixed assets even though they cost much less than \$5,000. This policy assigns responsibility for performing a 100% inventory of computer hardware and software every three years to the Department of Technology and Communication Services (DTCS), Information Systems Services Office (ISSO). Also, ISSO is to provide quarterly reports every three years to the user agencies.
- Executive Order 2001-05, August 23, 2001, establishes the Information Technology Steering Committee. This order defines the duties and responsibilities of the committee. The committee is charged with reviewing proposals requiring the purchase of technology, reviewing existing technology to insure effective implementation and also to look at new technologies that might reduce costs to the County and/or increase productivity of the workforce.
- The PC Committee was designed to have representatives from each department attend scheduled meetings, establish and maintain standards for equipment and software and to maintain an open dialog with the users to hear input and to communicate ideas.

Information Systems Services office budgets the PC needs of the County each fiscal year in its Capital Outlay Object (0507). This amount is approximated based on the age of current inventory and department requests. This capital outlay object also includes the internal capital equipment needs for ISSO.

Instead of many Purchase Requisitions, ISSO has ordered one large purchase of PC's and associated equipment in each of the last few years. The online purchasing system is used to create a purchase requisition. A buyer is assigned the task of ordering the PC's and a copy is given to FAICS coordinator for the County in Purchasing. The buyer can use a purchase order or their PDQ card to pay for the purchase and the coordinator tracks the purchases accordingly. She creates a record for the asset and assigns the FAICS numbers and forwards the stickers to DCTS where the assets will be shipped. The specific location and serial number data for the asset can only be determined when the asset is received, setup and assigned. DCTS also records all the asset information into their separate database as well, install the software and deliver the PC to the user department.

## **FINDINGS AND RECOMMENDATIONS**

We noted that County asset purchases for PC equipment was being budgeted together in the DCTS/ISSO budget object Capital Outlay, 0507 along with the departments personal equipment needs. To better account and identify for the County PC budget and expenditures a separate object should be used. We therefore recommend that:

1. ***DCTS/ISSO work with the Budget Office to determine the best way to segregate the County PC funds to show separate total budget and expenditures for this activity.***

### **Administrative Response**

The Administration concurs and has implemented this recommendation.

DCTS has worked with the Budget Office and the Department of Finance to set up a new object (0519) "PC Equipment Purchase". This new object will be included as part of the Fiscal Year 08 budget process.

We observed that the July 2002 policy 300.5 requires DCTS to perform a 100% inventory of

all PC equipment every three years. A quarterly listing of each departments PC assets is to be delivered to the fix asset coordinator for reconciliation with the system. These two requirements have not been accomplished. We learned through our discussions that the Purchasing office and DCTS are meeting to correct several necessary items related to managing these fixed assets. Some of the items that need to be addressed are:

- Merge the two databases, purchasing and DCTS that contain the PC information and ascertain that each is accurate.
- Maintain the County FAICS portion with input for serial numbers and location of PC's in the data-base by ISSO personnel.
- Establish a schedule and methodology to assure that the 100% required inventory is taken every three years.
- Examine the PC asset threshold to determine if keyboards, certain monitors and certain printers need to be included in the inventory any longer.
- Educate the department fix asset coordinators to the changes and proper methods of maintaining accurate listings and information.

We concur with the above bullets and recommend that:

2. *The necessary action required to accomplish the above items be taken and implemented as soon as possible. These activities should be reviewed on a scheduled basis and changes made accordingly as needed.*

#### **Administrative Response**

The Administration concurs and has implemented this recommendation.

DTCS has met with the Office of Purchasing to discuss these issues. As a result, a draft of the revised Policy and Procedure 300.5, Fixed Assets Inventory Control System (FAICS) was distributed on February 6, 2007 to department heads for comments. An update policy and procedure should be released sometime in March 2007. FAICS tags have been eliminated for all PC equipment under \$5,000. The Office of Purchasing will remove the items from their inventory and DTCS will track the PC equipment through the Track-It program using service tag numbers and serial number. A physical inventory will be conducted every year.

Additionally, we noted that Executive order 2001-05, established August 23, 2001, establishes the Information Technology Steering Committee. The group adopts the County

strategic plan for technology and recommends policy and procedure to implement those strategies. This committee has not met in several years. We therefore recommend that:

3. *Consideration be given to reactivating this committee to achieve the stated goals, of establishing strategic plans in technology to guide the County in its most effective use. This should encompass the overview of the PC fixed asset policy.*

#### Administrative Response

The Administration concurs and has implemented this recommendation.

DTCS has reactivated the internal PC Committee. The first meeting was held on March 5, 2007. The Director of Technology is planning to reactivate the Information Technology Steering Committee in the very near future.

Lastly, we statistically sampled monitors and PC's using the ISSO database that was started in March 2005. Out of 42 monitors, we could not verify 5 (11.9%). Out of 42 PC's, we could not verify 7 (16.6%). This is not an acceptable margin of error. The monitors and PC's we could not verify could be the result of misplacement, lost, stolen, or surplused items. The records should be much more reliable and the poor accountability can be attributed to the absence of regular verification and reporting as required by the policy.

We gave the information of the un-located PC's and monitors to ISSO for final resolution. Once the ISSO data base is reconciled with the Purchasing FAICS data base and regularly scheduled reviews are carried out as required and the recommendations are implemented in this report, there is no reason the inventory accounting should not be closer to error free.

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